Western Trade Objectives:

**Report of the
Western Ministers Responsible for
Multilateral Trade Negotiations
to the Premiers of**

**British Columbia
Alberta
Saskatchewan
Manitoba**

WESTERN
PREMIERS'
CONFERENCE

**WESTERN PREMIERS' CONFERENCE
CAMROSE, ALBERTA
JUNE 27-28, 1989**

92-07155/

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Introductory Message from the Four Western Ministers Responsible for Multilateral Trade Negotiations

Perhaps more than most Canadians, Westerners are keenly aware of just how important international trade is to their economies. Many of us work in export-oriented industries or in sectors of the economy which support these industries. At the same time, many of us have experienced first hand the adverse consequences of protectionist measures taken by our foreign trading partners. The negative impact on western Canadian grain farmers of the continuing export subsidy dispute between the United States and the European Community is just one recent example.

... with almost one half of total western Canadian exports going to destinations other than the United States, there are still a large number of international market access issues to be addressed with our non-U.S. trading partners.

In addition, western Canadians have traditionally had to bear a disproportionate share of the burden imposed by Canada's own import regime. Originally enacted to protect central Canadian manufacturing interests, this policy has effectively raised the cost of imported and domestic products to western Canadian consumers. It has also negatively affected the international competitiveness of western Canadian manufacturers by raising the cost of their imported components.

With the recent entry into force of the Canada-U.S. Free Trade Agreement, we have moved a long way towards rectifying many of these problems. However, with almost one half of total western Canadian exports going to destinations other than the United States, there are still a large number of international market access issues to be addressed with our non-U.S. trading partners.

Accordingly, we consider the Uruguay Round of Multilateral Trade Negotiations to be a critically important opportunity for Canada to address these access issues. With over 90 member countries of the General Agreement on Tariffs and Trade (GATT) participating in the Uruguay Round, the benefits to western Canada from a further liberalization of international trade are potentially as important as those flowing out of the Canada-U.S. Free Trade Agreement. The challenge for Canada, therefore, is to seize this unique opportunity to liberalize international trade. Such an opportunity may not arise again until well into the twenty-first century.

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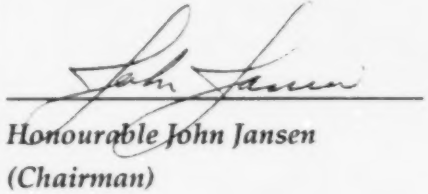
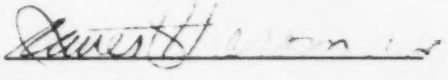
The following report on the Western Ministers' Working Group on the Multilateral Trade Negotiations has been prepared to outline some of the issues under discussion in the Uruguay Round and to explain the western Canadian preparations now underway.

In submitting this report to the western premiers, we seek to further open the lines of communication with industries in western Canada, particularly those with interests in the multilateral trade negotiations. Thus, if there are any questions or concerns arising out of the material contained in this report, or if there are industries which wish to bring to our attention specific international market access barriers, they should contact their respective provincial trade ministry. Private sector input into this process is both and vital and appreciated.



Honourable John Jansen
(Chairman)

Minister of International Business and Immigration
Province of British Columbia



Honourable James D. Horsman, Q.C.

Deputy Premier, Government House Leader, and
Minister of Federal and Intergovernmental Affairs
Province of Alberta

Honourable Robert Andrew

Minister of Trade and Investment
Province of Saskatchewan

Honourable James A. Ernst

Minister of Industry, Trade and Tourism
Province of Manitoba

Hon. John Jansen (Chairman)
Province of British Columbia

Hon. James D. Horsman, Q.C.
Province of Alberta

Hon. Robert Andrews
Province of Saskatchewan

Hon. James A. Ernst
Province of Manitoba

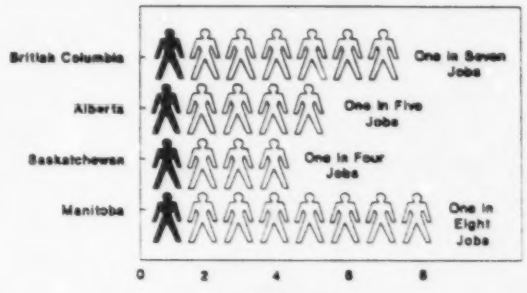
Why Liberalized International Trade is Important to Western Canada

The economies of the four western provinces are heavily oriented towards the extraction and processing of natural resources. British Columbia's economy, for example, is dominated by lumber, pulp and paper, agriculture, fishing, coal, and metals production. Alberta's economy is driven by oil and gas production, petrochemicals, forestry, agriculture and food processing. Saskatchewan's economy, in turn, is geared towards the production of agricultural, mining, and forestry products. Manitoba's economy, while slightly less resource-intensive, still derives a large part of its momentum from agriculture, hydroelectric power generation, mining and forestry.

Generally speaking, however, the output from western Canada's resource industries far exceeds either provincial or Canadian requirements. Therefore, in order to maintain their traditionally high levels of employment and production, a large percentage of the output from these industries must be exported. For example, approximately 75% of British Columbia's forestry output is exported. Similarly, much of Alberta's metallurgical coal production and almost 100% of Saskatchewan's potash production is exported. In addition, nearly 80% of the grain produced by the Prairie provinces is exported. The high level of export intensity in these and other sectors only serves to reinforce the importance of open and accessible international markets.

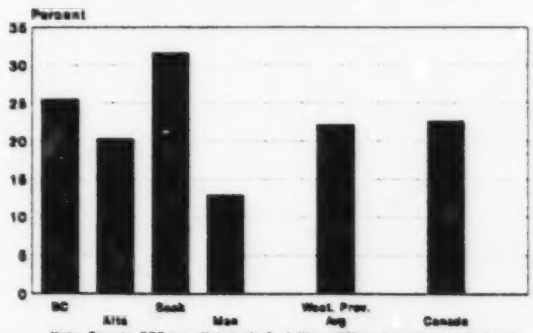
Furthermore, exports of goods now account for almost one quarter of western Canada's total Gross Domestic Product (GDP), ranging from 33.5% in Saskatchewan to 12.9% in the case of Manitoba. More importantly, exports account for a significant number of jobs in western Canada. In British Columbia, for example, one in seven jobs are dependent on exports. In Alberta, the comparable figure is one in five; in Sas-

EMPLOYMENT DIRECTLY AND INDIRECTLY RELATED TO INTERNATIONAL TRADE



Note: Does not include trade induced employment
Source: Provincial Trade Ministries

1988 PROVINCIAL EXPORTS AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT



Note: Canada GDP inc. diplomatic & civilian military income earned abroad
Exports are reported on a province of origin basis and do not include services
Source: Statistics Canada (Cansim)

katchewan, one in four jobs; and in Manitoba, one in eight jobs.

Western Canada, presently, accounts for approximately 29% of total Canadian exports. However, the export market profile for western Canada differs substantially from that of the country as a whole. Canada, as a whole, sent just 27% of its total 1988 exports to non-U.S. destinations. Western Canada, on the other hand, sent 48% of its total 1988 exports to non-U.S. destinations. Therefore, in relative terms, western Canada has the most to gain from a more liberalized international trading environment.

Foremost among western Canada's international markets are:

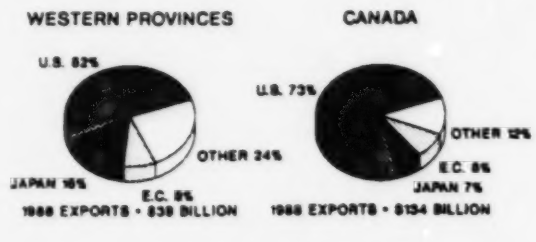
- **Japan** - which accounts for 16% of total western Canadian exports and is a major consumer of western coal, lumber, pulp, copper, aluminum, wheat, canola, pork, seafood, potash, and petrochemicals.

- **European Community (EC)** - which accounts for 8% of total western Canadian exports and is a major market for western pulp, paper and paperboard, lumber, seafood, wheat, canola, flaxseed, sulphur, aircraft parts and components, and motor vehicle parts and accessories.

...the output from western Canada's resource industries far exceeds either provincial or Canadian requirements... to maintain their traditionally high levels of employment and production, a large percentage of the output ... must be exported.

- **Other Pacific Rim Countries** - including South Korea, China, Taiwan, Hong Kong, and Australia which are all major consumers of western Canadian pulp, paper and paperboard, coal, aluminum, wheat, canola, barley, potash, sulphur, polyethylene and styrene.

MAJOR EXPORT DESTINATIONS



E.C. - European Community: France, West Germany, Belgium-Luxembourg, United Kingdom, Ireland, Denmark, Greece, Italy, Netherlands, Spain and Portugal

Source: Central Statistics Bureau

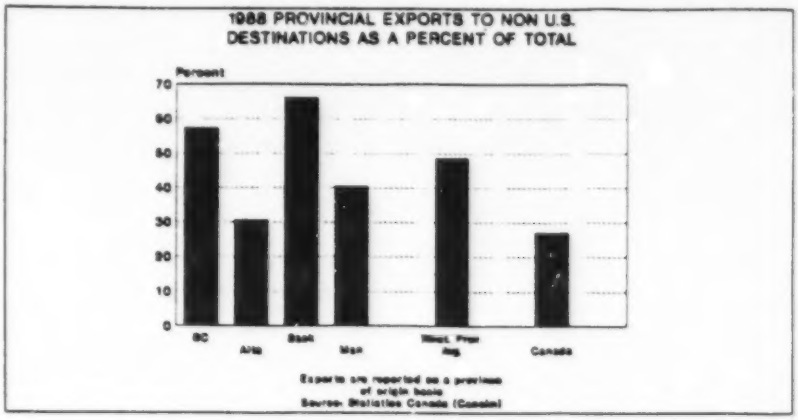
It is estimated that the benefits of a more liberalized international trading regime will be fairly evenly distributed throughout the western Canadian economy. Specifically, a more open international environment would mean:

- **increased market access** for western Canadian exports because of lower foreign tariff and non-tariff barriers. Lower Canadian tariffs, in turn, would result in lower input costs for western Canadian manufacturers who use imported components.

- **increased employment** in western Canadian export industries as a result of increased export levels. There would also be a positive spillover effect into those sectors of the economy which support and supply the export sector. It is estimated that each $1 billion worth of exports generates 15-20,000 western Canadian jobs.

- **increased value-added processing** of western Canadian resources prior to export as the result of lower foreign tariffs (and the elimination of the tariff escalation problem).

- **greater diversification** of western Canada's manufacturing sector as a result of tariff reductions and the elimination of protectionist trade barriers. With a larger number of new markets available and increased access to existing markets, western Canadian manufacturers would be able to enjoy the benefits of longer produc-



tion runs and lower costs. This, in turn, would increase their international competitiveness.

- **greater consumer choice** as the result of lower Canadian import tariffs and the relaxation of Canadian import quotas. In addition, western Canadian consumers should also find the costs of domestically produced products decreasing as the result of increased competition in the Canadian marketplace.

- increase in consumer **disposable income** due to a more liberalized Canadian import regime. Conservative estimates of the annual benefits to western Canadian consumers from moving to a more liberalized international trading environment (i.e., at least a 50% tariff cut) range from $75 to $375 per family. These savings are on top of the $250 in benefits accruing to each Canadian as the result of the Canada-U.S. Free Trade Agreement.

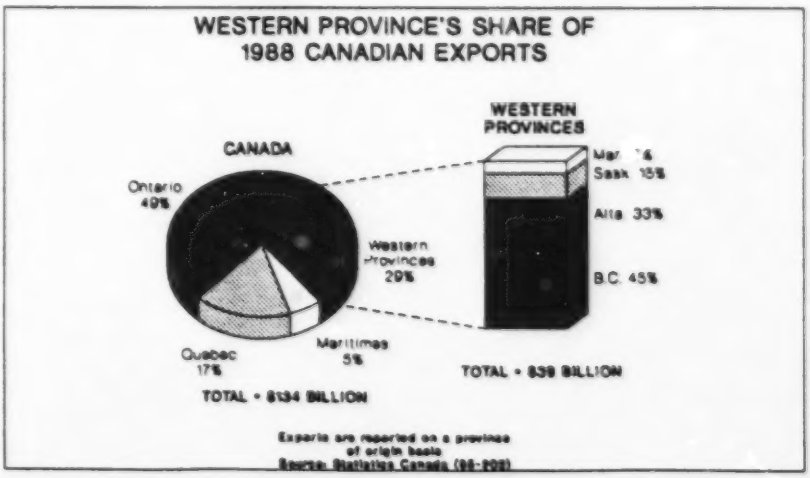
Unfortunately, despite the strong economic arguments for more liberalized international trade, western Canada's export markets are not as open as we would like. Therefore, the western provinces have been actively soliciting the private sector's help in identifying significant foreign market access barriers. For example:

- BRITISH COLUMBIA has identified Korean tariffs on molybdenum and lumber products, Japanese tariff and non-tariff barriers on lumber and plywood, and European Community tariffs on lumber (including its tariff rate quota on softwood plywood) and smoked salmon as significant market impediments.

- ALBERTA has identified Korean quota and tender requirements on beef and the European Community's variable levies on agricultural imports as two examples of major access barriers preventing increased western Canadian processed food product exports.

- SASKATCHEWAN has also identified the European Community's variable levies on agricultural imports, the Japanese Food Agency's import monopoly on wheat products, and Japanese tariffs on beef and canola as significant foreign market access barriers.

- MANITOBA, in turn, has identified European grain subsides and variable levies as well as Australian tariffs on imported agricultural machinery and equipment as particularly troublesome market access barriers.



Background to the Formation of the Western Ministers MTN Working Group

The historical impact of Canada's import tariff structure on western Canada has been well documented. Federal tariff policies have hindered economic development in British Columbia, Alberta, Saskatchewan, and Manitoba. The current "Uruguay Round" of Multilateral Trade Negotiations (MTN), therefore, represents an excellent opportunity for the four western provinces to influence national trade policy in such a way as to enhance economic development and diversification in western Canada.

Federal tariff policies have hindered economic development in British Columbia, Alberta, Saskatchewan, and Manitoba.

The western provinces have a long history of cooperation in multilateral trade policy matters. In the early 1970s, the governments of British Columbia, Alberta, Saskatchewan, and Manitoba worked together to identify common concerns and objectives for the Tokyo Round of Multilateral Trade Negotiations. This cooperative approach represented a new and exciting development in federal/provincial relations and greatly strengthened the position of the individual western provinces. Out of this collaborative effort came a document entitled *Western Trade Objectives*, published in 1978 following the Western Premiers' Conference in Yorkton, Saskatchewan that year.

At the 1984 meeting of the four western premiers in Kelowna, British Columbia, the Premiers issued a communique highlighting the importance of international trade to western Canada. In addition, they identified the following priorities for the next round of MTN:

- Canada must pursue trade liberalization in agricultural and processed natural resource products;
- Canada must recognize that trade is a two-way street and resist imposing protectionist barriers against its trading partners;
- trade relations with the Pacific Rim must remain a priority for Canada;
- unnecessary impediments to foreign investment must be eliminated; and
- the federal government must ensure full provincial participation in the development of Canadian trade policies, priorities, and strategies.

In May of 1986, the four western premiers met again in Grande Prairie, Alberta to outline specific western Canadian objectives for the upcoming Uruguay Round of multilateral trade negotiations and to lay out the direction of western Canadian trade policies for the next decade. In addition, they articulated western Canadian objectives and concerns surrounding the Canada-U.S. trade negotiations which were underway at that time. Out of the Grande Prairie meeting came a document entitled *Western Canadian Trade Objectives for the Next Decade*. This document, in turn, set the agenda for a cooperative western Canadian effort leading up to the launching of the

Trade relations with the Pacific Rim must remain a priority for Canada

Uruguay Round of MTN in September, 1986.

In May of 1988, the four western premiers met in Parksville, British Columbia, and established a working group of western ministers responsible for multilateral trade negotiations to "develop common western positions on issues of mutual concern" in the Uruguay Round of MTN. Guided by that directive, the four western ministers met in Vancouver on July 26, 1988, to establish a cooperative MTN work program. Their joint work program has been guided by the following principles:

- provinces should strive to achieve the highest possible level of agreement on joint positions on key MTN issues;
- where such joint positions are not possible to achieve, the provinces reserve the right to make individual representations to the federal government; and
- provinces will, to the largest extent possible, share information on the MTN and on the development of appropriate policy positions.

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As an immediate priority, the four western ministers agreed to prepare joint position papers on agriculture and food, natural resource-based products, and the functioning of the GATT system.

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Western Ministers MTN Work Program to Date

July 26, 1988 Meeting

At the inaugural meeting of their MTN Working Group in Vancouver on July 26, 1988, the four western ministers decided to assign their highest priority to the preparation, and submission to the federal government, of joint western position papers on natural resource-based products, agriculture, and the functioning of the GATT system.

In order to expedite the production of these papers, the Province of British Columbia took the lead in preparing a paper on *Natural Resource-based Products*, while the Province of Alberta took the lead in preparing a paper on *The Functioning of the GATT System*. Saskatchewan, in turn, produced a preliminary working paper on *Grains and Oilseeds* and a position paper on *The Concept of an Aggregate Measure in the Uruguay Round of MTN*. Alberta contributed a further paper on *Early Relief Measures for Agriculture* and British Columbia provided a short discussion paper on *GATT Article XI and Supply Management*.

As a medium-term priority, the four western ministers also agreed to prepare joint position papers on *Improved Trade Rules, Consumer Benefits from Trade Liberalization, Services*, and *the Impact of the MTN on Western Canadian Diversification*.

In addition, the Honourable Robert Andrew, Minister of Trade and Investment for the Province of Saskatchewan, reviewed his activities as a member of the Canadian delegation to the "Cairns Group" and his trip to the European Community Commission in Brussels and the GATT in Geneva. The Honourable James D. Horsman, Q.C., Minister of Federal and Intergovernmental Affairs for Alberta, reported on his involvement in the launching of the Uruguay Round in Punta del Este, Uruguay, in September, 1986, and his subsequent visit to the GATT in Geneva in January, 1987, and January, 1988.

... western provincial cooperation in the MTN is a very useful way of bringing a strong collective western Canadian voice to the table with Ottawa in order to provide the federal government with a balanced regional perspective.

Ministers also shared information on what each province was doing to involve its private sector organizations in preparing for the MTN. Finally, Ministers reviewed the continuously evolving role of the provinces in the preparation of Canada's MTN position. On this latter point, the four western ministers issued a press release and agreed that:

- western provincial cooperation in the MTN is a very useful way of bringing a strong collective western Canadian voice to the table with Ottawa in order to provide the federal government with a balanced regional perspective; and
- the federal government should be urged to invite all provincial trade ministers to participate as observers in the MTN Mid-term Review in Montreal.

October 11, 1988 Meeting:

At the second meeting of the Western Ministers' MTN Working Group in Vancouver on October 11, 1988, the four western ministers reviewed the progress of their cooperative work program and, in particular, the final drafts of the natural resources and the functioning of the GATT system papers. The Ministers also discussed the Canada-U.S. Free Trade

Agreement and unanimously reaffirmed their support for it.

In addition, the Honourable John Jansen, Minister of International Business and Immigration for the Province of British Columbia, reported on his visit to the GATT in Geneva during September, 1988, and his meetings there with the negotiating representatives of Canada's major trading partners. Minister Jansen also reported on the initiation of an extensive MTN private sector consultation initiative in the Province of British Columbia. The Honourable James A. Ernst, Minister of Industry, Trade and Tourism for the Province of Manitoba reported on a similar consultation exercise that he had undertaken in his province with regards to the MTN and the Canada-U.S. Free Trade Agreement.

Ministers subsequently agreed to adopt the position papers presented on *Natural Resources* and *The Functioning of the GATT System* and recommend them to their respective Cabinets for forwarding to the federal government in Ottawa. The four draft papers on agriculture were not adopted at that time because further work was needed on them in light of the rapidly changing agenda for agriculture at the Montreal Mid-term Review. It was agreed, however, to try to bring together a preliminary western Canadian position on agriculture in advance of the Mid-term Review. Towards this end, it was decided to invite the provincial ministers responsible for agriculture to the next meeting of the Western Ministers' MTN Working Group in Regina, Saskatchewan.

Ministers also discussed their concerns regarding the provincial role in Canada's MTN preparations. It

"The future of the western Canadian economy is dependent on expanding access to foreign markets for our further processed and manufactured goods, as well as our agriculture and resource-based commodities."

was agreed that the Honourable John Jansen would write the Honourable John Crosbie, federal Minister for International Trade, and seek clarification on the matter.

December 1, 1988 Meeting:

Because of the great importance attached to agriculture in the Uruguay Round, the four western agriculture ministers were invited to the third meeting of the Western Ministers' MTN Working Group in Regina, Saskatchewan, on December 1, 1988. The aim of this particular joint meeting, hosted by Premier Grant Devine of Saskatchewan and the Honourable Robert Andrew, Minister of Trade and Investment for Saskatchewan, was to agree upon a common western Canadian agriculture position in advance of the December 5-8, 1988, GATT Mid-term Review in Montreal. Towards this end, all Ministers reaffirmed that "the future of the western Canadian economy is dependent on expanding access to foreign markets for our further processed and manufactured goods, as well as our agriculture and resource-based commodities." In particular, ministers drew attention to the importance of allowing western Canadian agricultural producers to trade fairly in world markets. Accordingly, ministers agreed that the western Canadian approach to agriculture issues in the MTN should:

- aim at achieving a stronger discipline on trade-distorting subsidies, particularly those which have created the current massive surpluses on world markets and which have depressed prices for western Canadian agricultural exports;
- recognize the right of commodity groups to operate under supply management and income support programs which are consistent with the rules of the GATT.

Ministers also reviewed the prospects for the Uruguay Round Mid-term Review in Montreal and the arrangements for participation by provincial ministers in that review. Finally, ministers authorized the transmission of the agriculture papers dealing with *Aggregate Measures* and *Early Relief Measures* to the federal government for inclusion in the Canadian negotiating position.

December 5 - 8, 1988, Montreal Mid-term Review:

Following their December 1, 1988, meeting in Regina, the four western ministers attended a federal-provincial meeting of Ministers Responsible for Trade in Montreal on December 3, 1988. At this meeting, the four western ministers forwarded the final versions of their joint position papers on *The Concept of an Aggregate Measure in the Uruguay Round of MTN* and *Early Relief Measures for Agriculture* to the Honourable John Crosbie, Federal Minister for International Trade.

During the week of December 5-8, 1988, the four western ministers attended the Uruguay Round Mid-term Review in Montreal as official observers. As such, the four western ministers were afforded a unique opportunity to observe, first hand, the events as they unfolded and to provide advice and suggestions to the federal ministers and negotiators. The four western provinces worked effectively to reinforce western Canadian trade liberalization objectives and to urge the removal of trade-distorting subsidies.

Each morning, the federal government's trade negotiators briefed the four western ministers on the previous day's developments. In addition, the four western ministers were afforded the opportunity to meet with the negotiating representatives from many of Canada's major trading partners.

April 17, 1989 Meeting:

On April 17, 1989, the four western ministers met briefly, in Ottawa, prior to a Federal-Provincial Trade Minister's Meeting. They discussed their ongoing MTN work program and the continuing role of the provinces in the preparation of Canada's MTN negotiating positions and objectives. Recognizing the importance of this subject to the economic future of western Canada, the four western ministers agreed to prepare a joint position paper on this topic.

Because of the importance of natural resources to the economies of western Canada, one of the first objectives that the Western Ministers set for themselves was to develop a joint position paper on the major MTN issues affecting natural resource-based products and industries.

Overview of Position Papers Tabled by the Four Western Provinces

Perspective on MTN Natural Resource-based Products Negotiations and Issues:

Because of the importance of natural resources to the economies of western Canada, one of the first objectives that the Western Ministers set for themselves was to develop a joint position paper on the major MTN issues affecting natural resource-based products and industries.

Fundamental to any discussion of natural resources in a Canadian context must be the realization that responsibility for natural resources falls within the constitutional jurisdiction of the provinces. It is the provinces who are ultimately responsible for the management and development of their own natural resources. It is only logical, therefore, that they be intimately involved in the setting of any federal government negotiating objective with respect to natural resources trade.

Accordingly, the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba have urged the federal government to:

- set its MTN objectives in such a way as to facilitate the development of higher value-added intermediate and fully processed

natural resource-based products in western Canada;

- remain cognizant of the importance to western Canada of the minerals, forestry and energy sectors and recognize the importance of open and secure international markets to these industries;

- seek reductions in all tariffs that apply to natural resource-based products and, in particular, those tariffs which escalate by the degree of processing prior to export. (This phenomenon of tariff escalation is a major disincentive to further resource processing and value-added upgrading in western Canada);

- advocate a "formula approach" to tariff cutting because it offers the best chance of achieving both deep tariff cuts and the elimination of tariff peaks and tariff escalation;

- strive to bind the tariff schedules of the developing countries under GATT and urge the adoption of objective standards for the graduation of developing countries out of their preferential tariff status;

- seek a maximum reduction in the "most-favoured-nation" (MFN) tariff rate in order to minimize the advantages afforded to western Canada's natural resource competitors by preferential trading agreements (such as the one which exists between the Nordic countries and the European Community);

- seek a phase out of all tariff rate quotas in the GATT system and consider their conversion to a regular bound tariff, free of quantitative restrictions;

- seek new rules on the use of production subsidies in order to limit the injury suffered by unsubsidized producers who find their exports displaced in third country markets by the exports of subsidized producers. One possibility would be to combine any newly formulated rules with an "equitable share of world trade" criteria;

As trade issues have become increasingly more complex, the GATT system has come under great strain. The system now requires renewal and revision...

- seek a complete ban on natural resource export subsidies and the establishment of strong multilateral remedies to ensure compliance with this ban. There should be no developing country exceptions to such a ban;

- advocate the adoption of new trade remedy laws in the MTN in order to clarify the rights and obligations of governments with regard to natural resource tenure and pricing. In particular, infrastructure developments which remain in the public domain and are generally available to the public, should not be considered countervailable. Similarly, the existing GATT anti-dumping rules should be modified to eliminate the use of constructed costs as a basis for determining whether or not natural resource-based goods are being dumped; and

- reject any attempt by other GATT members to link Canada's natural resource-based product negotiating objectives to issues of supply access. In other words, Canada should not offer to trade increased access to Canadian natural resources in return for improved foreign market access. (Suggestions by the European Community that it would be prepared to consider increased market access for Canadian fish exports in return for greater access to fish stocks off the east coast of Canada, is only the latest example of this kind of thinking.)

Views on the Functioning of the GATT System:

The Ministerial Declaration which launched the Uruguay Round of MTN in September, 1986, called for improvements in "the overall effectiveness and decision-making of the GATT as an institution."

Given the importance of international trade to the four western provinces, it is vital that a climate of greater predictability be instilled in the international marketplace than that which currently prevails. Over the past forty

years, the GATT has been the principal instrument responsible for the maintenance and enforcement of trade rules and disciplines in international trade. As trade issues have become increasingly more complex, the GATT system has come under great strain. The system now requires renewal and revision in order to adapt to a rapidly changing international trade environment.

Accordingly, the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba have urged the federal government to:

- ❒ support the objective of transforming the GATT into a more policy-oriented body;
- ❒ support the call for greater ministerial involvement on the part of GATT Contracting Parties. For example, GATT ministerial meetings should be held regularly (no less frequently than once every two years). In addition, meetings of the federal and provincial ministers responsible for the MTN should take place at least once a year, as well as prior to any ministerial level meeting of the Contracting Parties;

Agricultural support practices, subsidies, and programs have emerged as one of the key issues to be resolved in the current round of multilateral trade negotiations

- ❒ support the concept of establishing a smaller GATT ministerial group to provide ongoing political advice and leadership. Consistent with the principle of full provincial participation, all provinces should be informed about the results of any deliberations by this small GATT ministerial group;
- ❒ support initiation of a reporting and review procedure to provide ongoing monitoring and surveillance of the trade policies of the Contracting Parties. This function should be associated with the GATT Secretariat in order to further enhance its authority and leadership role in international trade policy questions;
- ❒ fully involve the provincial governments in determining what types of information should be collected for such a trade policy review. In other words, should only federal measures, or both federal and provincial measures, be included? In addition, there should be a joint federal/provincial review of all trade policy report drafts in order to ensure that provincial views or comments are reflected and to provide an opportunity for the provinces to correct any errors or misinterpretations. Finally, the provinces must be involved in all discussions between the federal government and the proposed trade policy review body or GATT Secretariat concerning Canada's trade policies;
- ❒ make any report submitted to the GATT trade policy review body publicly available, including any and all references to provincial measures;
- ❒ support the proposals being made for the improvement of the dispute settlement procedures in GATT and consider including time constraints on the investigation and implementation phases;
- ❒ seek to enhance the authority, profile, and resources of the GATT Secretariat in order that it may follow through on the reform efforts of the Contracting Parties; and
- ❒ acknowledge the necessity of full provincial participation in any GATT dispute settlement process which involves provincial policies or practices. This would include full provincial access to all evidence and documents, the right to provide rebuttals, and the right to participate in hearings associated with the complaint.

The Concept of an Aggregate Measure In the Context of the Uruguay Round of Multilateral Trade Negotiations

Agricultural support practices, subsidies, and programs have emerged as one of the key issues to be resolved in the current round of multilateral trade negotiations.

The agricultural sector in many countries continues to receive a high degree of financial support. This is due to a variety of reasons, including: the traditional role of agriculture in the economy; its dependence on ever changeable climatic conditions (which result in large swings in production and income); and the belief that agricultural production is a strategic resource (a secure domestic source of supply being deemed by many countries as essential).

These high levels of support can distort trade to the extent that they are self-defeating. They can also be extremely expensive. However, some countries are less willing than others to reform and reduce their support to agriculture, and this has given rise to the heated discussions in the Uruguay Round.

In attempting to find an objective manner in which to deal with the various levels and forms of agricultural support, attention has been focussed on measures which assign a monetary value to the various support programs operated by GATT member countries. Once the form of this "measure of support" has been agreed upon, commitments to reduce the level of support can then be negotiated.

To date, there have been several measures developed to quantify the level of agricultural support available in a given country. These measures vary according to the specific support programs that they include, or exclude. The most widely discussed measures have been the Producer Subsidy Equivalent (PSE), and the Trade Distortion Equivalent (TDE).

Both of these measures are basically the same, in that they quantify the value of subsidies and/or government support to the farmer. The difference between them lies in the types of support programs that they include. The PSE, for example, includes all national measures of support. The value of the PSE, therefore, represents the payment that would have to be made to the farmer to compensate him for the loss of these government programs. The TDE (as proposed by Canada) includes only support measures which are trade distorting. The TDE, therefore, begins with the PSE and then reduces it by the value of the non-trade distorting support policies. However, the TDE has been criticized by many countries as being self-serving and designed primarily to preserve Canada's supply management interests (which Canada considers to be a non-trade distorting support measure). Supply management, while it controls production and restricts the volume of products entering the world market, also serves to restrict imports. As a result, the TDE has not gained widespread multilateral support.

The Aggregate Measure (AM), on the other hand, while not completely defined as yet, is expected to be some sort of compromise between the PSE and TDE. Once an acceptable definition of the AM has been agreed upon, it will serve as the basis for target cuts in support levels. Until the actual definition of the AM has been clarified, however, the four western provinces are reserving judgement on the level of cuts they will support.

Early Relief Measures for Agriculture: A Western Canadian Perspective

Early relief measures in the context of the agricultural negotiations refers to the implementation of short term measures which would reverse the current trend towards increased protectionism. Such actions, would include an immediate freeze on all agricultural subsidies and a reduction in the level of subsidies over the next two years. Because it is the export markets for western Canadian agricultural products that have been most affected by the recent protectionist trends, any agreement on agricultural relief measures would greatly benefit western Canadian agricultural producers.

Western Canada's strong export orientation must not be sacrificed in order to maintain the status quo in other regions in Canada.

The western Canadian provinces, in agreeing on a position with regard to early relief measures, generally supported the Cairns Group position. The Cairns Group (which is a group of 14 agricultural exporting nations including Canada) had proposed the following short term measures:

- an immediate freeze (no increase) in agricultural support;
- a 10% roll back on output-based support in 1989 and 1990;
- a minimum 6% roll back on all support for 1989 and 1990;
- support measures specifically defined as including export subsidies, import access, administered prices, production controls, acreage reductions, and disciplines on stock disposal;
- where quantitative import restrictions apply (for example, in the case of supply management), access levels to be increased by at least 10% in 1989 and 1990.

The western Canadian provinces also maintained that Canada must refrain from taking a soft approach towards short-term commitments, otherwise it would give the appearance of simply trying to maintain the status quo. Canada must be progressive with regard to trade liberalization; if not, it will inadvertently bolster the EC's arguments for fixed market shares in precisely those commodities in which western Canada has a comparative advantage.

Furthermore, the western Canadian provinces asserted that any short-term measures must be applied equitably across all commodities and regions of Canada. Western Canada's strong export orientation must not be sacrificed in order to maintain the status quo in other regions in Canada. If there were to be any exceptions or derogations from the abovementioned principle of equitable application, then an offsetting commitment should be made by the benefitting region to redistribute the gains enjoyed from the exception (perhaps by reducing to a greater proportion its support for other sectors or commodities).

Finally, the four western provinces recognized that a freeze and rollback of trade distorting agricultural subsidies at the national level must not be negated by the introduction of new provincial programs. As such, the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba called on the federal government to seek commitments from all provinces to honour any freeze or rollback obligations taken at the international level. Any new provincial programs should be subject to prior notification to other provincial governments and to the federal government in order to allow them time to consider any potential trade impacts. As well, any violation of the Canadian freeze and rollback commitment by a province should be subject to an offsetting federal measure.

Western Ministers Work Program for the Future

The western ministers have identified four other MTN issues of particular importance to the western provinces. As such, western province papers are being prepared on the following topics:

Improved Trade Rules:

The recent increase in global protectionism, coupled with a lack of precision in the trade law regime within the GATT, has caused an increased use of GATT's dispute settlement mechanisms. The ability of GATT to maintain discipline in the multilateral trade system is only as strong as the will of the Contracting Parties to develop effective rules and respect them. These rules need to be improved, their interpretations clarified, and enforceable, effective remedies agreed to. Given western Canada's dependence on international export markets, the creation of an effective trade law regime within the GATT is of obvious priority. Immediate attention must be given to coverage of countervailing duties, subsidies, anti-dumping measures, and safeguards in the western provinces' work on this issue.

British Columbia has agreed to coordinate the work on this issue with the other western provinces contributing material on specific issues of concern.

Consumer Benefits of Trade Liberalization:

It is widely recognized that liberalized trade will benefit consumers in terms of lower prices for imported goods and their domestically-produced equivalents, and provide a greater variety of goods on the market. The "consumer gains" approach is a compelling argument in support of trade liberalization and helps to offset the forces of protectionism. In the past, the achievement of western Canadian trade liberalization objectives has often been constrained by the more protectionist counter-arguments advanced by central Canadian manufacturing interests. In this context, the further development of the "consumer gains" argument would garner wider support, within Canada, for western Canada's liberalized trade position.

... liberalized trade will benefit consumers in terms of lower prices for imported goods ... and provide a greater variety of goods on the market.

Manitoba has taken the lead in drafting a discussion paper on this topic.

The Impact of the MTN on the Diversification of Western Canada:

The international trade environment facing western Canadian industries has sharply limited their ability to diversify away from their historical reliance on resource-based sectors. Issues relating to improved market access for further processed, manufactured and high-technology products are under discussion in the Uruguay Round and will continue to be important focuses of western Canadian attention in the MTN. By improving the rules related to market access, and increasing protection for investment and intellectual property rights, the GATT MTN negotiations can facilitate and add to the continued diversification of the western Canadian economy. It is recognized that there are many issues in the MTN which will influence the international trade policy environment within which western Canadian diversification evolves. Accordingly, the "diversification" theme will be an important focus of all the western provinces' work on the MTN.

On behalf of the western provinces, Manitoba has approached the Western Diversification Office to explore joint funding of a study on this theme. Manitoba has also taken the lead in drafting the terms of reference for this study.

the GATT MTN negotiations can facilitate and add to the continued diversification of the western Canadian economy.

Saskatchewan, in turn, has agreed to prepare a paper identifying which current international trade rules constrain the further processing of agriculture and food products in western Canada.

Trade in Services:

The service sector constitutes the largest and most rapidly growing sector in the western Canadian economy. While not all services are realistically "tradeable", the growth in international trade in services represents an important factor in the evolution of the western Canadian economy. In addition, the further development of an international orientation among western Canadian service industries will help diversify western Canada's trade profile away from its present concentration on resource-based industries.

In contrast with the trade law regime governing trade in goods, trade in services is relatively unregulated by international agreement. The Uruguay Round represents the first attempt to bring service trade issues under some sort of internationally agreed upon trade rules and disciplines. In many respects, this work will build upon the ground-breaking precedents established in the Canada-U.S. Free Trade Agreement.

Alberta has agreed to take the lead in drafting a western provinces' position paper on MTN Services issues.

Western province cooperation in the MTN will be further advanced by an exchange of information on the issues outlined above. In developing their positions for the MTN, the four western provinces will continue to work with the private sector in western Canada to communicate western Canadian interests to the federal government.

Officials from the four western provinces will meet regularly to advance the work program proposed above and will report to Ministers on the progress and completion of the various elements of the program. The work program itself will obviously evolve in parallel with developments in the MTN.

For the future, Ministers are considering:

- a joint meeting between the four western ministers and the Honourable John Crosbie, federal Minister for International Trade;
- a joint visit to the Uruguay Round MTN negotiations in Geneva by all four western ministers;
- a joint seminar/workshop between the four western ministers and the western Canadian representatives to the federal government's Sectoral Advisory Groups on International Trade (SAGIT) and International Trade Advisory Committee (ITAC).

... the growth in international trade in services represents an important factor in the evolution of the western Canadian economy.

Concluding Remarks

A further liberalization of international trade is clearly in the best interests of western Canada. Reduced foreign trade barriers (both tariff and non-tariff) will lead to further development and diversification of the western Canadian economy. While there will, undoubtedly, be some costs associated with the adjustment to freer international trade, it should be remembered that these costs will be transitional and temporary in nature. The benefits, on the other hand, will be long-term and permanent.

A more liberal international trading environment will result in new market opportunities and greater profits for western Canadian industry; in more jobs for western Canadian workers and; in greater choice and lower prices for western Canadian consumers. The maintenance of protectionist trade barriers, on the other hand, will result in fewer open markets, fewer jobs, and less product choice for consumers. In addition, maintaining the protectionist status quo will only delay the inevitable adjustment which must take place in Canadian industry.

A further liberalization of international trade is clearly in the best interests of western Canada.

With the successful conclusion of the Uruguay Round Mid-term Review, we look forward to the beginning of substantial negotiations in Geneva. We also look forward to a continuation and expansion of the full provincial participation which has occurred, thus far, in the setting of Canada's MTN negotiating mandate and objectives. In addition, we look forward to a continuation of our work with the western Canadian private sector in identifying foreign trade barriers which stand in the way of increased western Canadian exports. Finally, we recommend the continuation of the Western Ministers' MTN Working Group as it has proven to be a most useful and effective means to advance western Canadian trade objectives.

... we look forward to a continuation of our work with the western Canadian private sector in identifying foreign trade barriers which stand in the way of increased western Canadian exports

APPENDIX 1.

The Uruguay Round of Multilateral Trade Negotiations

In late September of 1986, representatives from over 90 countries met in Punta del Este, Uruguay, under the auspices of the General Agreement on Tariffs and Trade (GATT), in order to launch a new round of multilateral trade negotiations.

The federal government invited a number of provincial ministers to attend the meeting as observers attached to the Canadian delegation. Alberta's Minister of Federal and Intergovernmental Affairs, the Honourable James D. Horsman, Q.C., attended on behalf of the western provinces.

This new round of MTN (the eighth since the founding of the GATT in 1947) has come to be called the "Uruguay Round" in honour of the country which hosted the inaugural Ministerial Meeting.

The formal Ministerial Declaration which launched the Uruguay Round set out the following objectives for the negotiations:

- to halt and reverse the spread of protectionism;
- to develop a more open, viable and durable multilateral trading system;

Several new issues, such as intellectual property rights, trade-related investment measures and services, have been included in an MTN setting for the first time.

- to reduce tariff and non-tariff barriers to trade;
- to strengthen and expand the role of the GATT;
- to improve the linkages and coordination between major international trade, finance and development organizations; and
- to increase the flow of real and financial resources to the developing countries.

The Uruguay Round is scheduled to conclude in 1990, at which time a closing Ministerial Conference will be convened to incorporate the results of the negotiations into the GATT.

Several new issues, such as intellectual property rights, trade-related investment measures and services, have been included in an MTN setting for the first time. More importantly, agriculture has assumed a role of major importance in the current round of negotiations. In all, 15 negotiating groups were established for the Uruguay Round of negotiations; 14 of them under the auspices of the Group on Negotiations on Goods (GNG) and one under the auspices of the Group on Negotiations on Services (GNS).

The subjects under negotiation in the Uruguay Round, and their specific objectives, as laid out in the initial Ministerial Declaration, are as follows:

Tariffs:

To reduce or eliminate tariffs and, in particular, the incidence of tariff escalation (whereby tariff rates rise according to the amount of processing or value-added prior to import, thus preserving processing jobs in the importing country).

Non-Tariff Measures:

To reduce or eliminate non-tariff measures (such as quotas, licensing requirements, export subsidies, voluntary export restraints, and discriminatory technical standards).

Natural Resource-based Products:

To achieve the fullest possible liberalization of trade in natural resource-based products including processed and semi-processed forms. The negotiations will attempt to address both tariff and non-tariff barriers.

Textiles and Clothing:

To find some method of eventually reintegrating this sector into the GATT. At the present time, most international trade in textiles and clothing is governed by the Multi Fibre Arrangement (MFA) which permits a number of Gatt-sanctioned derogations from the "most favoured nation" rule which is usually applied between GATT members. The current MFA expires in July of 1991.

Agriculture:

To achieve a greater liberalization of trade in agriculture by bringing all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines. This liberalization is to be achieved by reducing import barriers, increasing the disciplines applied to direct and indirect subsidies affecting agricultural trade, and by minimizing the adverse effects of sanitary and phytosanitary standards.

Tropical Products:

To liberalize international trade in tropical products by eliminating all duties on the unprocessed form of these products and by eliminating or substantially reducing duties on their processed and semi-processed forms. In addition, the Contracting Parties will attempt to eliminate or reduce all non-tariff measures affecting trade in these products.

GATT Articles:

To review all existing GATT articles, provisions and disciplines and attempt to clarify or improve them as necessary.

MTN Agreements and Arrangements:

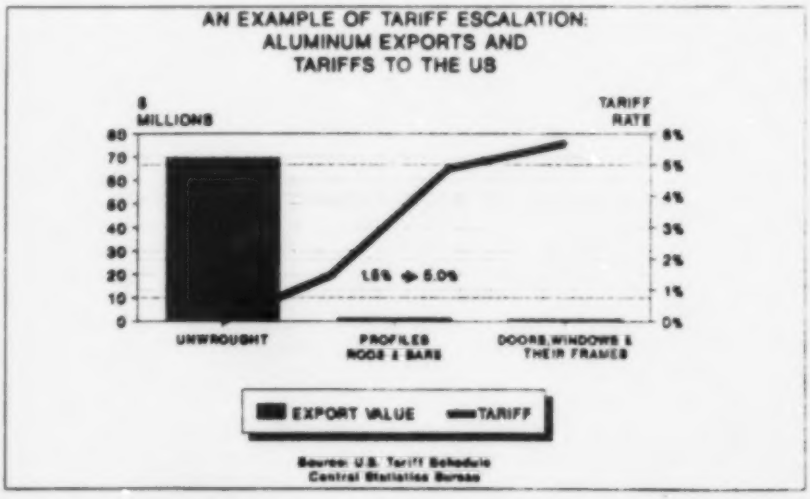
To improve, clarify, and expand, as necessary, the agreements and arrangements negotiated in the previous Tokyo Round of MTN. One priority, in particular, will be to expand the number of GATT member countries subscribing to such MTN agreements and arrangements.

Safeguards:

To develop a comprehensive agreement on the use of safeguards. Safeguards are the emergency measures which governments apply to fairly-traded imports which cause, or threaten to cause, serious injury to their domestic producers. Efforts are being made to limit the duration of these safeguard actions, ensure their application in a nondiscriminatory manner, and to bring some measure of GATT discipline to such "grey area" safeguard measures as orderly marketing arrangements and voluntary export restraints.

Subsidies and Countervailing Measures:

To improve the discipline relating to the use of these measures. The negotiations will be based on a review of GATT Articles VI and XVI and the MTN agreements on subsidies and countervailing



measures. Critical to the success of this negotiation group will be its ability to arrive at a workable definition of what constitutes a subsidy, which ones are injurious, and which ones are actionable.

Trade-Related Aspects of Intellectual Property Rights (TRIPS) including Trade in Counterfeit Goods:

To ensure effective and adequate protection of intellectual property rights, the negotiations will try and ensure that such measures and procedures do not, in themselves, become barriers to trade. The task will be to review existing GATT provisions and elaborate new rules and provisions where necessary.

Trade-Related Investment Measures (TRIMS):

To examine the current GATT Articles pertaining to restrictive investment measures and attempt to identify what additional provisions may be required.

Dispute Settlement:

To ensure the prompt and effective resolution of disputes among contracting parties by improving and strengthening the rules and procedures which govern the GATT dispute settlement process. Because the current GATT dispute settlement process is a relatively lengthy process, attention will be focussed on the length of time taken to establish GATT dispute panels and the length of time those panels take to render their decisions. In addition, efforts will be made to develop stronger measures for enforcing and overseeing the adoption of panel recommendations.

Functioning of the GATT System (FOGS):

To develop a mechanism which will enhance the surveillance function of the GATT and permit a regular monitoring of the trade policies and practices of major GATT contracting parties. Also being discussed is an increased role for member country ministers in the GATT process, as well as a strengthening of the existing ties between the GATT, the World Bank and the International Monetary Fund.

Services:

To establish a multilateral framework of principles and rules to regulate international trade in services. If possible, the negotiators will also attempt to elaborate a series of disciplines for individual service sectors as well. The service negotiations are running parallel to the Uruguay Round negotiations on goods.

Current State of the Negotiations:

In December of 1988, a Mid-term Review of progress in the Uruguay Round was held in Montreal, Canada. The Montreal Ministerial Meeting (MMM), as it came to be called, brought together trade, finance, and agriculture ministers from over 100 countries to review the progress of the negotiations and to provide political impetus and direction for the remaining two years of the negotiations.

Overall, the results of the MMM were more modest than had been anticipated. The United States and the European Community (EC) were unable to resolve their fundamental differences over the issue of agricultural subsidies. The United States was calling for the full liberalization of agricultural trade, including the elimination of direct or indirect trade-distorting subsidies and the elimination of tariff and non-tariff measures. The EC, on the other hand, was not willing to consider the complete elimination of support for agriculture. It was, however, prepared to consider some reduction in short-term support, providing that no fundamental changes were made to its Common Agricultural Policy.

In addition, negotiations on three other highly contentious issues (safeguards, textiles and clothing, and intellectual property) also ran into difficulty. As a result, progress on the other eleven MTN negotiating groups was put "on hold" until early April of 1989.

During that period of time, Mr. Arthur Dunkel, Director General of the GATT, undertook a series of high level consultations on the four outstanding issues.

As the result of extensive last minute negotiations during the first week of April, 1989, the mid-term package of results was finally "unfrozen" on April 8, 1989, following agreement on the texts of the four "outstanding" issues.

The essence of the April, 1989, breakthrough on the four "outstanding" issues was as follows:

Agriculture:

For the long-term, Ministers agreed to pursue "substantial progressive reductions" in agricultural support and protection over an "agreed period of time". These reductions are to involve negotiations on specific policies and measures (including those affecting import access, export subsidies and export prohibitions or restrictions) and negotiations over an "aggregate measure of support" (which still remains to be defined). By December of 1990, participants are expected to have agreed upon the details of a long-term reform package and the first tranche of reforms are expected to begin in 1991.

For the short-term, Ministers have agreed to ensure that the "current" levels of support and protection in the agricultural sector are not exceeded. In addition, Ministers have agreed to ensure that any tariff and non-tariff market access barriers currently in effect are not subsequently intensified or extended to additional products. The base access levels for these commitments are to be those prevailing during 1987 and 1988. Similarly, Ministers have agreed to ensure that the formulas used to set support prices for producers are not increased.

Trade-Related Aspects of Intellectual Property Rights:

The general intent of the negotiations on intellectual property rights has been to develop a multilateral framework of principles, rules and disciplines to deal with intellectual property rights and, in particular, with the international trade in counterfeit goods. In addition, the negotiations now underway are attempting to develop an effective and appropriate means to prevent and settle intellectual property disputes. Of particular concern, is the increasing use of bilateral solutions to deal with multilateral intellectual property disputes (for example, the United States recently revoked its preferential tariff access for certain kinds of Thai exports because of a dispute over Thailand's copyright and patent protection laws).

Textiles and Clothing:

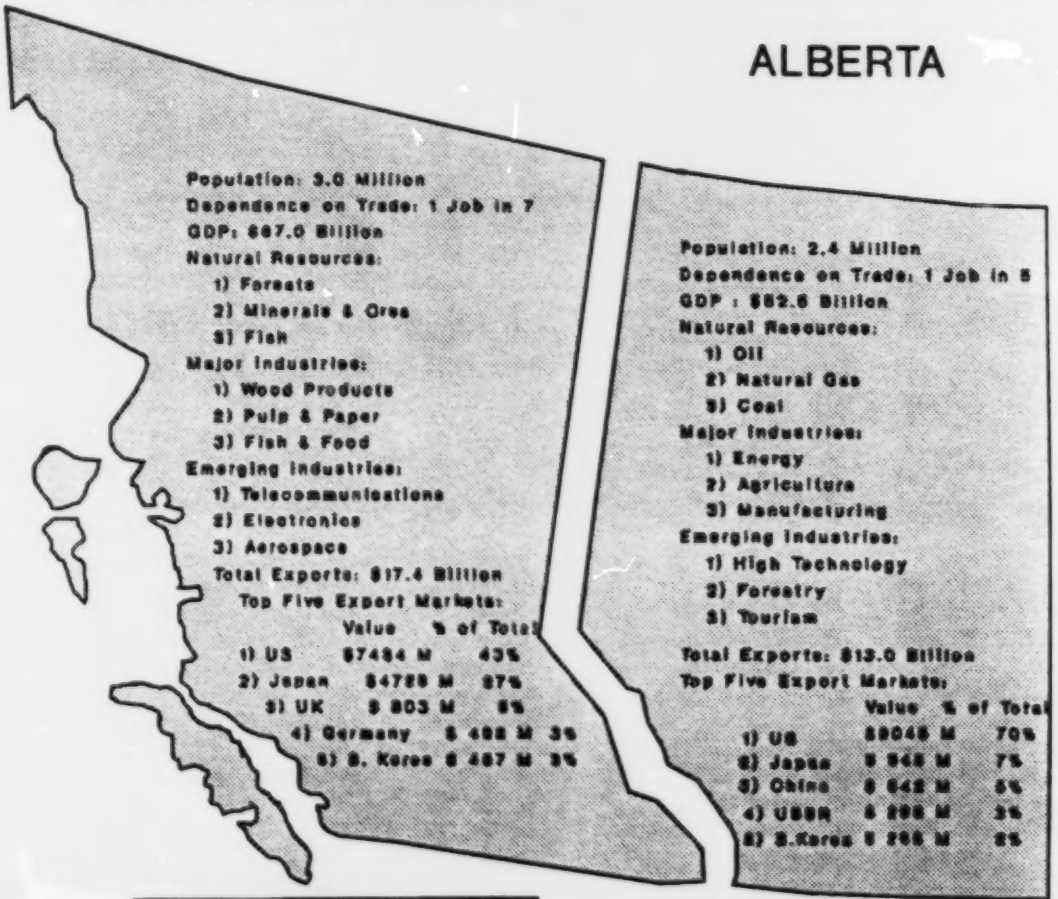
Ministers, once again, reiterated their intention to reintegrate this sector into the GATT. At the present time, international trade in textiles and clothing lies outside the GATT and is governed by the Multi Fibre Arrangement (MFA), which permits the derogation of GATT's nondiscriminatory "most favoured nation" rule in favour of a series of bilateral restraint agreements. Ministers committed themselves to begin the process of reintegration into the GATT following the conclusion of the Uruguay Round in 1990 (how soon after, has yet to be determined). The MFA, itself, expires in July, 1991. Whether a transitional plan for the textiles and clothing sector can be put into place before that date, remains to be seen.

Safeguards:

The language of the new text on safeguards, commits Ministers to concluding a comprehensive agreement on safeguards. If possible, this agreement should include those safeguards which currently fall outside the purview of GATT (for example, such "grey area" measures as voluntary export restraints and orderly marketing arrangements). Of particular importance to the negotiations on this issue, is the Ministers' clear statement that safeguards, by definition, are of limited duration. This is an important distinction because too often these temporary safeguard measures become permanent features of a country's import regime. It is the stated intention of Ministers to have a draft text on this subject concluded and open for discussion by the end of June, 1989.

APPENDIX 2.

BRITISH COLUMBIA



Top Five Exports:	Value	% of Total
1) Lumber	$5.8 B	33%
2) Pulp	$3.4 B	19%
3) Coal	$1.8 B	8%
4) Newsprint	$0.9 B	5%
5) Copper Ore	$0.7 B	4%

Source: British Columbia Central Statistics Bureau

Top Five Exports:	Value	% of Total
1) Oil	$3.1 B	24%
2) Natural Gas	$2.8 B	21%
3) Wheat	$1.0 B	8%
4) Sulphur	$0.8 B	6%
5) Polyethylene	$0.5 B	4%

Source: Alberta Treasury

All data for 1988 unless otherwise specified

Provincial Profiles

SASKATCHEWAN

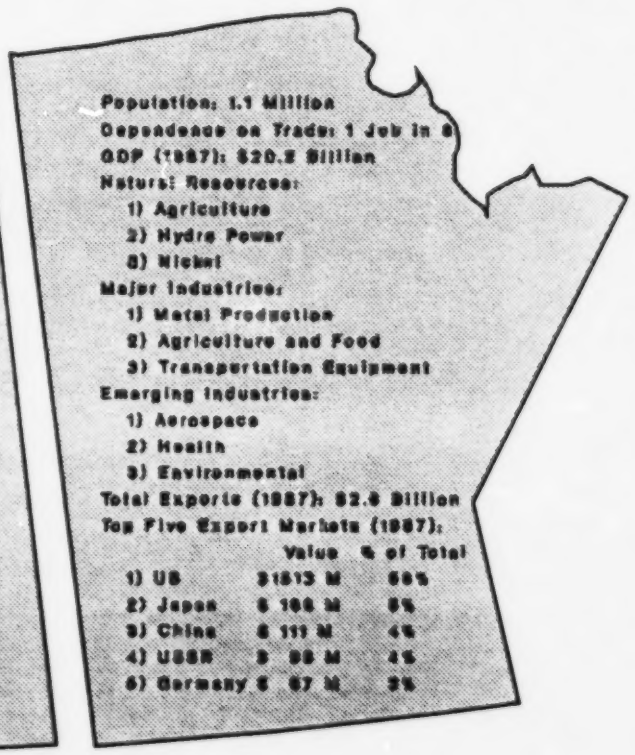
Population: 1.0 Million
Dependence on Trade: 1 Job in 4
GDP: $18.6 Billion
Natural Resources:
1) Oil
2) Potash
3) Uranium
Major Industries:
1) Agriculture & Food
2) Mining
3) Manufacturing
Emerging Industries:
1) Food Processing
2) High Technology
3) Chemicals
Total Exports: $8.2 Billion
Top Five Export Markets:

	Value	% of Total
1) US	$2135 M	34%
2) China	$1128 M	16%
3) USSR	$ 826 M	10%
4) Japan	$ 810 M	10%
5) Algeria	$ 151 M	2%

Top Five Exports:	Value	% of Total
1) Cereals	$2.8 B	46%
2) Fertilizers	$1.2 B	19%
3) Crude Oil	$0.7 B	11%
4) Metal Ores	$0.4 B	7%
5) Oilseeds	$0.3 B	5%

Source: Ministry of Trade and Investment Saskatchewan

MANITOBA



Population: 1.1 Million
Dependence on Trade: 1 Job in 8
GDP (1987): $20.2 Billion
Natural Resources:
1) Agriculture
2) Hydro Power
3) Nickel
Major Industries:
1) Metal Production
2) Agriculture and Food
3) Transportation Equipment
Emerging Industries:
1) Aerospace
2) Health
3) Environmental
Total Exports (1987): $2.6 Billion
Top Five Export Markets (1987):

	Value	% of Total
1) US	$1513 M	58%
2) Japan	$ 196 M	8%
3) China	$ 111 M	4%
4) USSR	$ 98 M	4%
5) Germany	$ 67 M	3%

Top Five Exports (1987)*:	Value	% of Total
1) Wheat	$0.4 B	25%
2) Computer equip	$0.2 B	13%
3) Nickel	$0.2 B	10%
4) Aircraft pts	$0.1 B	7%
5) Pulp & Paper	$0.1 B	7%

* MSB adjusts to remove transportation costs

Source: Manitoba Statistics Bureau